



PROPERTY REASSESSMENT AND TAXATION

State Tax Commission • Jefferson City, Missouri

Revised April, 2001

INTRODUCTION

Some aspects of the property tax system are confusing to many taxpayers. It is important that all taxpayers affected by property taxes and by reassessment understand the process and how it may affect them. This booklet is designed to answer the more common questions about assessment and reassessment.

STATE TAX COMMISSION

The State Tax Commission is an administrative agency under the direction of three commissioners who are appointed by the Governor and approved by the Senate. The Commission is given the responsibility of ensuring the uniform and equitable assessment of all taxable tangible property in the state. To assist the Commission in fulfilling this responsibility, it has a staffing complement consisting of appraisers, technicians and hearing officers located in Jefferson City and throughout the state.

The Commission measures the accuracy of assessments in each county and works with assessors to promote an accurate and fair assessment program. It conducts seminars and training sessions for assessors and their staffs. The Commission also hears taxpayers' appeals from the local Boards of Equalization, and is responsible for the statewide assessment of the property of railroads, airlines, pipelines, electric and telecommunications companies.

QUESTIONS & ANSWERS

WHAT ARE ASSESSMENT AND REASSESSMENT?

Assessment is the process of placing value on a property for the purpose of property taxation. Reassessment is an update of all real property assessments in the county, conducted by the county assessor to equalize values among taxpayers and to adjust values to current market conditions.

HOW OFTEN IS PROPERTY REASSESSED?

Reassessed values of real estate are placed on the tax rolls by the assessor every odd-numbered year (2001, 2003, etc.). Personal property is assessed every year.

WHAT HAPPENS IN THE EVEN YEAR?

For most real estate owners, nothing. However, if new construction and improvements have taken place, the property's market value is adjusted to reflect the added value of the new construction. The total value is based upon the market conditions as of January first of the preceding year.

For example, if your house was valued by the assessor at \$50,000 as of January 1, 2001, and you added a bedroom in June of 2001, the increase in value would be added for the 2002 tax year. If the house with the new bedroom would have been worth \$60,000 on January 1, 2001, your market value for 2002 would be \$60,000.

CAN PROPERTY BE ASSESSED ON A PRO RATA BASIS?

A few counties in the state have adopted the Occupancy Law (Section 137.082, RSMo). This law allows the assessor to assess residential real property new construction when it is occupied, on a pro rata basis, rather than wait until the following January 1st. Your County Clerk or County Assessor can tell you if your county has adopted the Occupancy Law.

WHAT TYPES OF PROPERTY ARE THERE?

Two types of tangible property:

1. **Real Property** - includes land, improvements to the land and all rights inherent in ownership.
2. **Personal Property** - any tangible property that is not real property and is not permanently affixed to or part of real estate. Personal property includes cars, boats and farm equipment.

IS ALL PROPERTY TAXED?

No. Some **personal** property is exempt, including household goods, inventories, wearing apparel and items of personal use and adornment. Exempt **real** estate includes property owned by governments, property used as non-profit cemeteries, exclusively for religious worship, for schools and colleges, and for purely charitable purposes.

In addition, there are about 60 economic development zones in the state, located in places where there is blight, unemployment, etc. In those areas, to attract employers or encourage employers to expand, some property improvements are given tax abatements for a period of years.

WHY IS REASSESSMENT NECESSARY?

Under Missouri's Constitution, all assessments for property tax purposes must be based upon market value and be uniform within the same class or subclass of property.

Over time, the value of property may change, depending upon its nature, location, and other factors. Some values change more rapidly than others. Reassessment is the only way to be sure that the taxpayer is being taxed fairly, and is taxed the same as other comparable property.

WHO IS RESPONSIBLE FOR REASSESSING PROPERTY?

The county assessor is primarily responsible for assessing property within the county. However, the assessor's work is subject to review by the county Board of Equalization and the State Tax Commission (See Pages 7 & 8). The State Tax Commission is the state agency charged with general supervision of assessors and with enforcing property tax laws.

WHAT ARE ASSESSORS' QUALIFICATIONS?

Assessors are trained in all aspects of the assessment process including determining value using the income approach, cost approach, and comparable sales approach. (These approaches are described on Pages 5 & 6). Assessors must participate in approved continuing education courses to remain certified with the State Tax Commission.

WHAT IS MARKET VALUE?

Market value, true value in money and appraised value have the same meaning under Missouri law. A simple definition of market value is the price the property would bring when offered for sale by a person who is willing but not obligated to sell it, and is bought by a person who is willing to purchase it but who is not forced to do so.

HOW IS MY ASSESSMENT LEVEL ESTABLISHED?

Once the estimate of market value has been determined, the assessor calculates a percentage of that value to arrive at assessed value. The percentage is based on the classification, determined by the type of property or how it is used. The percentages are:

<u>Real Estate</u>		<u>Personal</u>	
Residential	19%	Cars, Boats, Other	33 1/3%
Agricultural	12%	Farm Equip., Livestock	12%
Commercial &		Historic Autos	5%
All Other	32%	Grain	1/2%

As an example, a residence with a market value of \$50,000 would be assessed at 19%, which would place its assessed value at \$9,500. An automobile with a market value of \$10,000 would be assessed at 33 1/3%, or \$3,333.

HOW ARE THE REAL ESTATE CLASSIFICATIONS DETERMINED?

Missouri statutes define the three subclasses of real estate:

Subclass 1 - Residential property is all real property improved by a structure which is used or intended to be used for residential living by human occupants, vacant land in connection with an airport, land used as a golf course, and manufactured home parks, but residential property shall not include facilities used primarily for transient housing.

Subclass 2 - Agricultural and horticultural property is that which is actively used for those purposes. The value of this land is established by its productivity, based on soil productivity guidelines set by the State Tax Commission. It is not based on market value; however, when the highest and best use of land is considered to be agricultural,

and it is not actively farmed, it is assessed according to market value and not by productivity guidelines.

Subclass 3 - Utility, industrial, commercial and railroad property, and any other real estate that does not fit either of the other two classes. Includes mines, stores, factories and property of non-profit corporations.

HOW DOES THE ASSESSOR KNOW WHAT PERSONAL PROPERTY I HAVE?

The assessor sends out blank assessment forms early each year. It is your responsibility to send a completed form to the assessor by March 1, listing all the taxable personal property you owned on January 1. If your form is late, the penalty ranges from \$10 to \$100, depending on the amount of valuation involved. The assessor may contact you to follow up if the form is not complete.

HOW DOES THE ASSESSOR VALUE MY REAL PROPERTY?

A number of methods are used. The assessor's staff looks at new construction that has taken place, sales prices of comparable property located nearby, the condition of your property, and any other factors that can help place an accurate value on the property.

Three techniques are available:

1. Cost Approach - First, the value of the land is estimated, as if vacant. The assessor then adds the amount it would take to replace your structure with one of similar utility, including current costs of materials and labor, profit, overhead, permit fees, and the like. If your structure is not new, the assessor then approximates depreciation from all causes, and subtracts that from the calculation of replacement cost.

2. Market (sales comparison) Approach - Your property is evaluated based on comparable properties that have recently sold, and is adjusted for differences such as a garage, finished basement, or better location. Where there are frequent sales and similarities in properties, this can be the most reliable approach for residential property.

3. Income Approach - This approach works well for apartments, shopping centers and office buildings. The assessor estimates potential gross income from rentals, then subtracts an amount for vacancies and operating expenses. The amount of net income is then converted to a value for the property, using a process called capitalization.

WILL ALL PROPERTY VALUES CHANGE DUE TO REASSESSMENT?

All values are likely to change, but not all will change to the same extent. Market values increase more in some neighborhoods than in others. A major purpose of reassessment is to make sure that the new values reflect all changes that have occurred.

IF NO IMPROVEMENTS HAVE BEEN MADE TO MY PROPERTY, WHY SHOULD THE ASSESSED VALUE INCREASE?

Over time, market value changes even if no improvements are made to the property. Many people sell their homes for much more than they paid for them years earlier. The statutes require that property be periodically reassessed to maintain realistic market values and treat all taxpayers fairly.

WILL I BE NOTIFIED IF THERE IS AN INCREASE IN MY ASSESSMENT?

The assessor is required by the statutes to notify the owner of record

of any increase in valuation of real property.

WHAT IF I DISAGREE WITH MY ASSESSMENT?

If you do not agree with your assessment, there are three steps you can take in the appeal process. Remember that an assessment is based on current market value and our objective here is to establish the correct market value of the property. Stating that property taxes are too high is not relevant testimony. You should determine what you believe to be the value of your property and gather and present evidence that supports that value. Such evidence could include photographs, the recent sale of your property, or the oral testimony of someone who has done a recent appraisal of your property.

1. Informal Appeals - Contact the county assessor's office as soon as you are notified of your assessment. During an informal meeting with the assessor or one of the staff, you can learn how your assessment was made, what factors were considered, and what type of records pertain to your property. Many disagreements are taken care of at this level.

2. Board of Equalization - If not satisfied after the informal meeting, you should contact your county clerk for information regarding forms and deadlines for appealing to the county board of equalization. The board will hear evidence from the assessor and you regarding the value of the property which is the subject of the appeal.

3. State Tax Commission - You have a right to appeal the decision of the board of equalization to the State Tax Commission by August 15 in first-class counties or St. Louis City, and September 30 in other counties **or** 30 days after the final action of the board of equalization - whichever is later.

For more information on appeals to the State Tax Commission call 573-751-1715, or write to P.O. Box 146, Jefferson City, Missouri 65102.

WILL POLITICAL SUBDIVISIONS LOWER THEIR LEVIES?

When the total assessed valuation in a political subdivision increases substantially, as often happens with a reassessment, it is allowed an increase in revenues to account for inflation, plus the revenues it receives from taxing new construction and improvements. Its governing body, after that, is required by the constitution to adjust tax rates downward. This is called a tax rate rollback. The allowed increase in revenues over the previous year for cost of living was 3.0% in 2000 (there is a maximum of 5% allowed). After this allowance, and that for new construction during the previous year, the tax rates must be reduced to offset the valuation increase.

HOW DOES REASSESSMENT AFFECT MY TAXES?

It depends. **An increase in assessed value does not necessarily equate to an increase in property taxes.** Your taxes are calculated by multiplying your assessed value times the combined levies of the taxing entities which levy a tax on that particular property. If levies increase, taxes may increase even if assessed values remain unchanged or decrease. It follows that, if levies decrease, an increase in assessed values may not cause an increase in taxes. One factor which can cause a decrease in levies is a rollback which was discussed in the previous example. Another is a voluntary reduction voted by the governing body.

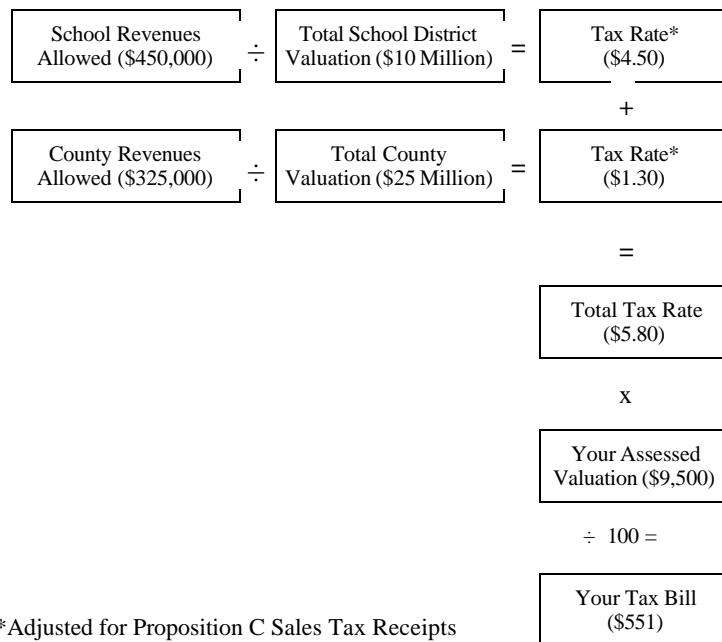
Tax levies are normally set during August. That means when you receive a notice that your assessment has been increased, it is too early to be able to calculate how the change in assessed value will affect your taxes. You will not know until the rates have been set by all of the local governments that tax your property.

As a simplified example, if your school district calculates that it is permitted \$450,000 in property tax operating revenues and it has \$10 million in assessed valuation, it could levy a tax of \$4.50 per \$100

assessed valuation (\$450,000 ÷ \$10,000,000 X \$100). Your county and city would make similar calculations based on their permitted revenues and their respective assessed valuations.

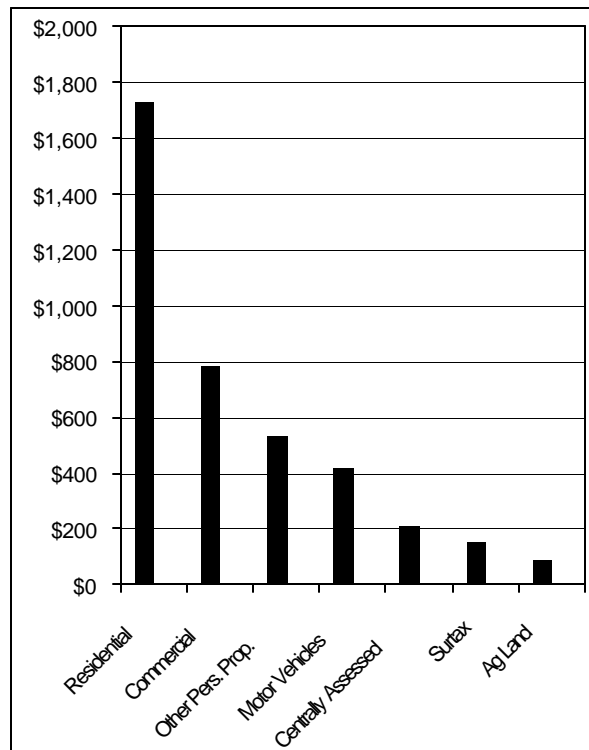
All of the tax rates of the local governments are added, along with the 3-cent state levy (for Blind Pension Fund), and multiplied against your assessed valuation. Assuming these tax rates total \$5.80 per \$100 valuation, and your house is valued at \$50,000 market value, your tax bill would be calculated by determining 19% of your market value or \$9,500. That assessed value is multiplied by the tax rate, and the result divided by 100: \$9,500 X \$5.80 ÷ 100 = \$551 tax levied. Here is an illustration.

HOW A TAX BILL IS DETERMINED



WHO PAYS THE PROPERTY TAX?

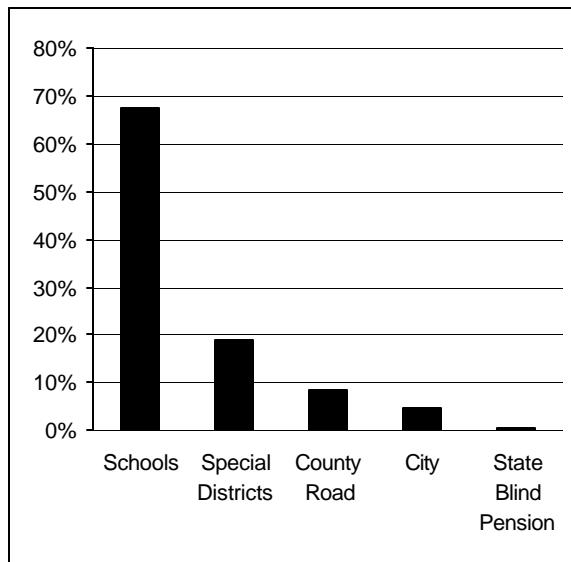
Percent of Total, 2000
\$3,922 Million Collected



Based on proportion of assessed valuation

WHERE THE PROPERTY TAX GOES

(Based on Statewide Missouri Data)



This booklet is designed to explain the reassessment process in Missouri. It is based on the laws in effect at the time it was written. Nothing in this booklet gives anyone any greater rights than they would have by law. If the laws change, the facts and procedures mentioned in this booklet may also change.

For further information concerning assessments for property tax purposes, call or write:

State Tax Commission
621 East Capitol Avenue
P.O. Box 146
Jefferson City, MO 65102-0146
Phone 573-751-2414
Fax 573-751-1341
www.dor.state.mo.us/stc

